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A BILL TO ESTABLISH A COMMISSION TO REVIEW THE DISPUTE SETTLEMENT REPORTS OF THE WORLD TRADE ORGANIZATION

HON. AMO HOUGHTON

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Thursday, April 6, 1995

Mr. HOUGHTON. Mr. Speaker, I am joined today by my colleague, Mr. LEVIN, in introducing legislation which will create a process by which the Congress can act to ensure that the new World Trade Organization dispute settlement system is not abused by our trading partners to undermine U.S. interests.

Late last year, in consecutive special sessions, both Houses of Congress passed legislation implementing the new GATT agreement. That agreement establishes a new international body to oversee trade disputes, the WTO, and gives it unprecedented authority to enforce the decisions of its dispute settlement panels.

During the period leading up to the vote, many Americans voiced their concerns that this new international organization would undermine U.S. sovereignty and might harm rather than help U.S. interests in global trade. I spent a great deal of time and effort in developing the implementing legislation that ensures that U.S. industries and their workers would continue to have remedies available in U.S. law to protect against foreign unfair trade practices like dumping and subsidies. While it was not perfect, I supported the final version of the bill because I believed that on balance it served the interests of the United States. But this does not mean we can now ignore the legitimate concerns raised last year about the WTO and its new dispute settlement process. We must carefully scrutinize the actions of the WTO and its dispute settlement mechanism in order to ensure that our trade laws are not undermined through improper WTO decisions.

Under the WTO, as under the old GATT, trade disputes will be submitted to international panels for review. However, unlike the old GATT system, no WTO member nation will have the right to block the adoption of a panel report, even if that nation considers the panel report to be fundamentally flawed in its analysis. Thus, no WTO member nation will be able to ignore the findings of a dispute settlement panel without paying a price: international condemnation, weakened international respect for the trading rules, and possible internationally sanctioned retaliation against its goods. The enhanced power of the dispute settlement panels requires that this process be used prudently and administered wisely for the sake of the world trading system in general and American national commercial interests in particular.

The bill we are introducing establishes the WTO Dispute Settlement Review Commission composed of five Federal appellate judges, appointed by the President in consultation with Congress. The Commission will be empowered to review every decision adverse to the United States by a WTO dispute settlement panel. In cases where the dispute settlement

panels adhered to the proper standard of review, and where they did not exceed or abuse their authority, no further action will be taken. But if the Review Commission determines that a panel reached an inappropriate result that amounts to abuse of its mandate, the Commission would transmit that determination to Congress. Any Member of Congress would then be permitted to introduce a privileged resolution and, if such resolution were enacted, the U.S. Trade Representative would be required to enter into negotiations to amend the WTO dispute settlement rules. After three determinations of inappropriate decisions by dispute settlement panels, any Member could introduce a privileged resolution and, if such resolution were enacted, the United States would be required to withdraw from the WTO.

This bill is very similar to legislation already introduced in the other body by Senator DOLE to implement an agreement he reached last year with the administration to protect against just such a threat to U.S. sovereignty by the WTO. It differs only in that it clarifies that it is the U.S. Trade Representative who is responsible for negotiations to amend the WTO rules if a joint resolution is approved by Congress. It is a farsighted proposal that permits the United States to exercise international leadership. Through the careful review of WTO decisions by the Review Commission, we will be able to prevent countries who engage in unfair trade practices from abusing the role of the WTO dispute settlement panels. The United States will be in a position to oversee the operation of these panels to ensure that any such abuse does not adversely affect U.S. trade laws and ultimately, American national commercial interests.

Another important feature of this bill is the provision permitting the participation of U.S. private parties in the consultations and panel proceedings. If a U.S. private party with a direct economic interest in a WTO proceeding supports the U.S. Government's position, then the USTR must permit the party to participate in the WTO panel process. The USTR must consult in advance with the party before submitting written briefs to a panel, include the party as an advisory member of the U.S. delegation dealing with the dispute, and in certain instances, permit the party to appear before the panel hearing the case.

Private party participation is a key aspect of this bill. Because the dispute settlement decisions will be binding, it is imperative that American interests be properly represented. Given the USTR's active schedule in representing the United States in a variety of trade matters, the assistance private parties can provide will be crucial.

We welcome the support of our colleagues in cosponsoring this important legislation.

WTO COMMISSION ACT

HON. SANDER M. LEVIN

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Thursday, April 6, 1995

Mr. LEVIN. Mr. Speaker, I am pleased to join my colleague, the gentleman from New York, in introducing the WTO Dispute Settlement Review Commission Act. This is an important piece of legislation designed to ensure

that our rights as a nation to defend industries and workers from foreign unfair trade practices are not diminished by the new World Trade Organization dispute settlement system.

Last year, Congressman HOUGHTON and I worked together in the Ways and Means Committee and helped secure GATT implementing legislation that preserved the effectiveness of our trade laws against dumping, subsidies, and other unfair trade practices. These laws are a critical last line of defense for American workers and companies facing unfair trade restrictions. These laws have been on the books in one form or another for over 70 years.

But writing good laws in the Congress is not enough. Under the new World Trade Organization, the United States will no longer have the ability to veto an international dispute settlement decision against us, even if we think it was wrongly decided. This creates a tremendous temptation for some of our trading partners who have been disciplined by our trade laws to use the new dispute settlement process to undermine the effectiveness of those laws. Many foreign trade negotiators have said they will attempt to use the WTO to invalidate section 301 or to force certain changes in the way the Department of Commerce enforces the antidumping laws.

We have a concrete example in our current negotiations with Japan in the Framework talks. The Japanese trade minister has threatened to bring a WTO case against the United States if we impose section 301 sanctions against Japan for its barriers to United States autos and auto parts. In effect, the Japanese want to use the WTO—which is supposed to keep markets open—to keep the Japanese market closed.

Mr. Speaker, we cannot allow this kind of abuse of the WTO. This bill is designed to create a fair and impartial process to review WTO decisions, and to provide the Congress with a mechanism to bring about changes in the WTO if it is misused.

The bill establishes a WTO Dispute Settlement Review Commission composed of five Federal appellate judges, appointed by the President in consultation with the Congress. The Commission will review every decision against the United States by a WTO panel. Where a panel has applied the proper standard of review, and did not exceed or abuse its authority, no further action would be warranted. But if the Commission determines that a panel reached an inappropriate result that amounts to abuse of its mandate, the Commission would so inform the Congress. Any Member of Congress would then have the right to introduce a privileged resolution directing the U.S. Trade Representative to negotiate amendments to the WTO dispute settlement rules to fix the situation.

And if the Commission determines that WTO panels have abused their mandate on three separate occasions in any 5-year period, Members would have the right to introduce a privileged resolution directing that the United States withdraw from the WTO by a date certain if one last effort to amend it fails.

This basic arrangement was agreed to by our U.S. Trade Representative Mickey Kantor during last year's GATT debate. I think Ambassador Kantor deserves credit for recognizing the legitimacy of this issue and working with Members of Congress, both Democrats and Republicans, to craft a fair solution.